

GLENN COUNTY ASSESSMENT PRACTICES SURVEY

NOVEMBER 2000

CALIFORNIA STATE BOARD OF EQUALIZATION

JOHAN KLEHS, HAYWARD
DEAN ANDAL, STOCKTON
CLAUDE PARRISH, TORRANCE
JOHN CHIANG, LOS ANGELES
KATHLEEN CONNELL, SACRAMENTO

FIRST DISTRICT
SECOND DISTRICT
THIRD DISTRICT
FOURTH DISTRICT
STATE CONTROLLER

JAMES E. SPEED, EXECUTIVE DIRECTOR





STATE BOARD OF EQUALIZATION

PROPERTY TAXES DEPARTMENT

450 N STREET, MIC: 62, SACRAMENTO, CALIFORNIA

(PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0062)

TELEPHONE (916) 324-5827

FAX (916) 323-5689

www.boe.ca.gov

JOHAN KLEHS
First District, Hayward

DEAN ANDAL
Second District, Stockton

CLAUDE PARRISH
Third District, Torrance

JOHN CHIANG
Fourth District, Los Angeles

KATHLEEN CONNELL
Controller, Sacramento

JAMES E. SPEED
Executive Director

November 30, 2000

TO COUNTY ASSESSORS:

2000/063

GLENN COUNTY ASSESSMENT PRACTICES SURVEY

A copy of the Glenn County Assessment Practices Survey Report is enclosed for your information. The State Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The assessor was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained in the report. This report and the county assessor's response constitute the final survey report which is distributed to the Governor, the Attorney General, the State Legislature; and the county's Board of Supervisors, Grand Jury, and local board of equalization.

Fieldwork for this survey of the Glenn County Assessor's Office was conducted by CPTD starting in January 1999. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The Honorable Vince T. Minto, Glenn County Assessor-Recorder-Clerk, and his staff gave us their complete cooperation during the assessment practices survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

We invite your comments, for we feel that these surveys can only be helpful in a mutually cooperative atmosphere. For further information regarding California's property tax system, please refer to the BOE's Web site at www.boe.ca.gov.

Sincerely,

Richard C. Johnson
Deputy Director
Property Taxes Department

RCJ:kt
Enclosure

TABLE OF CONTENTS

INTRODUCTION.....	1
SCOPE OF ASSESSMENT PRACTICES SURVEYS.....	2
EXECUTIVE SUMMARY	3
OVERVIEW OF THE GLENN COUNTY ASSESSOR’S OFFICE.....	6
ADMINISTRATION	8
STATE-COUNTY PROPERTY TAX ADMINISTRATION PROGRAM	8
TRAINING	8
ASSESSMENT APPEALS	9
DISASTER RELIEF	9
EXEMPTIONS	11
SUPPLEMENTAL ASSESSMENTS.....	12
ASSESSMENT OF REAL PROPERTY.....	13
CHANGE IN OWNERSHIP	13
NEW CONSTRUCTION	14
DECLINE IN VALUE.....	15
CALIFORNIA LAND CONSERVATION ACT.....	16
TIMBERLAND PRODUCTION ZONES.....	18
TAXABLE GOVERNMENT-OWNED PROPERTIES.....	18
POSSESSORY INTERESTS	18
MANUFACTURED HOMES	20
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES	22
AUDIT PROGRAM.....	22
EQUIPMENT CLASSIFICATION AND VALUATION FACTORS.....	25
COMPUTER VALUATION	26
AIRCRAFT.....	27
APPENDIX	29
A. COUNTY PROPERTY TAX DIVISION SURVEY GROUP.....	29
B. RELEVANT STATUTES AND REGULATIONS	30
ASSESSOR’S RESPONSE TO BOE’S FINDINGS	36

INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office. This report reflects the BOE's findings in its current survey of the Glenn County Assessor's Office.

Readers of previous assessment practices survey reports will note several distinct changes in the format of the report. Among other things, the previous reports commonly contained multi-part recommendations and formal suggestions. Each recommended change is now listed as a separate recommendation. Items that would have been formal suggestions under the previous format are now either recommendations or are stated informally within the text of the report. Both of these changes increased the number of recommendations in the survey reports. Accordingly, an increase in the number of recommendations from one report to the next should not lead the reader to conclude that the effectiveness of the assessor's operation has decreased.

The assessor is required to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, the Glenn County Grand Jury, and the local board of equalization. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Vince T. Minto, Glenn County Assessor-Recorder-Clerk,¹ elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendices.

While typical management audit reports emphasize problem areas, they say little about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas. However, assessment practices survey reports also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

¹ This report covers only the assessment functions of his office.

SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the performance of other duties enjoined upon the assessor, and the volume of assessing work as measured by property type. As directed by Government Code section 15644, this survey report includes recommendations for improvement to the practices and procedures found by the BOE's survey team.

In addition, section 75.60² requires the BOE to certify that the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in the Appendix.

Our survey of the Glenn County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Glenn County with information relevant to the property tax assessment program. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether significant assessment problems exist, as defined by Property Tax Rule 371.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls, nor do we examine the internal management of an assessor's office outside those areas related to assessment.

² All statutory references are to the Revenue and Taxation Code, unless otherwise indicated.

EXECUTIVE SUMMARY

- In our 1991 Assessment Practices Survey of Glenn County, we made 14 recommendations to address problems we found in the assessor's policies and procedures. The assessor failed to implement five of the 14 recommendations. Those recommendations not implemented—or only partially implemented—are repeated in this report.
- We found no problems in the assessor's administration of assessment roll changes, assessment appeals, and supplemental assessments.
- Glenn County has participated in the State-County Property Tax Administration Program since January 1997. For both 1997 and 1998, Glenn County met the performance criteria established in its contract with the State Department of Finance.
- The assessor's staff appraisers are current in their mandatory training requirements.
- We discovered two problems in the assessor's disaster relief program. These problems concern the application for disaster relief and processing procedures.
- We recommend the assessor perform field reviews of properties that receive the religious exemption.
- With one exception, the assessor has an effective program for discovering, appraising, and enrolling changes in ownership of real property. That exception concerns the assessor's failure to report change in ownership exclusions to the BOE.
- In the assessment of new construction, we recommend the assessor improve appraisal documentation following new construction events.
- Although the assessor has an effective program for reappraising properties that have experienced declines in value, we recommend the assessor document the annual review of properties with decline-in-value assessments.
- We found two aspects of the California Land Conservation Act assessment program that could lead to improper underassessments.
- Several problems appeared in the assessor's possessory interest program: poor documentation of appraisals, escaped taxable possessory interests in fairgrounds, and improper change in ownership reappraisals.
- In our previous survey, we found one deficiency in the assessment of taxable government-owned properties; the assessor has corrected that problem.
- When assessing manufactured housing, we recommend that the assessor classify all manufactured homes as personal property (unless on approved permanent foundations), use approved valuation guides, and document annual reviews of manufactured home assessments.

- An area of major concern is the assessor's mandatory audit program. Of the 28 audits due by June 1998, the assessor completed only four of those on time. We also made several minor recommendations addressing other areas of the assessor's mandatory audit program.
- We repeat several of our prior recommendations dealing with the assessor's personal property assessment program. Those concern allocation between personalty and fixtures, audit logs, and audit personnel.
- The business property division correctly applies price index factors for computers.
- We make minor recommendations regarding the assessment of aircraft and the historical aircraft exemption.
- Despite the problems noted above, most properties and property types are assessed correctly.
- We found no significant assessment problems—as defined in Property Tax Rule 371. Accordingly, pursuant to section 75.60, Glenn County continues to be eligible for recovery of costs associated with administering supplemental assessments.

Here is a list of formal recommendations contained in this report, arrayed in the order they appear in the text.

RECOMMENDATION 1:	Revise the application for disaster relief.	9
RECOMMENDATION 2:	Revise disaster relief assessment procedures in accordance with section 170.	10
RECOMMENDATION 3:	Perform field reviews of property receiving the religious exemption.	11
RECOMMENDATION 4:	Report claims for transfer of base year value to the BOE every quarter pursuant to section 69.5.	14
RECOMMENDATION 5:	Improve appraisal record documentation after enrolling assessable new construction.	15
RECOMMENDATION 6:	Document annual decline-in-value assessment reviews.	16
RECOMMENDATION 7:	Include all compatible use income in the appraisal of California Land Conservation Act (CLCA) properties.	17
RECOMMENDATION 8:	Exclude homesites from restricted value calculations of CLCA properties.	17
RECOMMENDATION 9:	Send income questionnaires to all TPZ parcel owners.	18
RECOMMENDATION 10:	Increase documentation of possessory interest appraisals.	19

RECOMMENDATION 11:	Assess taxable possessory interests in fairground facilities.	19
RECOMMENDATION 12:	Reappraise a possessory interest only upon change in ownership or expiration of the reasonably anticipated term of possession..	19
RECOMMENDATION 13:	Classify all manufactured homes, excluding those on permanent foundations, as personal property.....	20
RECOMMENDATION 14:	Consider values listed in recognized manufactured home guides when appraising manufactured homes.	21
RECOMMENDATION 15:	Maintain documentation when making lien date adjustments of manufactured home values.....	21
RECOMMENDATION 16:	Complete all mandatory audits required by section 469.	22
RECOMMENDATION 17:	Develop and maintain a comprehensive audit log.	23
RECOMMENDATION 18:	Obtain signed waivers of the statutes of limitations when mandatory audits will not be completed on time.	23
RECOMMENDATION 19:	Require a situs inspection for mandatory audit accounts.....	23
RECOMMENDATION 20:	Adopt minimum audit standards.	24
RECOMMENDATION 21:	Review supplies as part of every audit.....	24
RECOMMENDATION 22:	Restore the auditor-appraiser position.	25
RECOMMENDATION 23:	Classify fixed machinery and equipment as fixtures.....	25
RECOMMENDATION 24:	Assess bank and financial corporation fixtures at the lower of their current market value or factored base year value.....	26
RECOMMENDATION 25:	Make adjustments for aircraft condition only where appropriate.....	27
RECOMMENDATION 26:	Assess aircraft consistent with BOE recommendations.....	27
RECOMMENDATION 27:	Comply with section 220.5(c) when granting historical aircraft exemptions.	28

OVERVIEW OF THE GLENN COUNTY ASSESSOR'S OFFICE

Budget, Workload and Staffing

Staffing

In June 1997, several Glenn County departments were combined. The assessor assumed the additional duties of the county recorder, the registrar of voters, the county clerk, and the ex-officio clerk of the county board of equalization.

The assessor has a staff of ten. Three are classified as managers: the assessor, assistant assessor, and assessment analyst/administrator. There are two senior-level real property appraiser positions, one appraiser position, and four assessment technician positions. The office does not have an auditor-appraiser position. Some staff time is assigned to assist the other departments under the assessor's management.

The assessor, in addition to his administrative duties, appraises restricted-use orchards, handles assessment appeals, and reviews selected appraisals. The assistant assessor supervises the real property appraisers and is responsible for the possessory interest and aircraft assessments. Each real property appraiser is assigned a geographical area of the county, as well as specific property types and specific appraisals.

The assessment analyst/administrator supervises the four assessment technicians. Business and personal property assessments are made by an assessment technician, who processes all business property statements and other personal property forms, with the exception of aircraft, and performs desk audits on some non-mandatory accounts. Since there is no auditor-appraiser on staff, some of the business property assessments are reviewed as needed by the assessor, the assistant assessor, or the assessment analyst/administrator.

Budget and Workload

The following information is from the BOE publication *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*. This report is a compilation and analysis of data by the BOE's Policy, Planning, and Standards Division, originating from an annual questionnaire sent to all assessors.

Fiscal Year	Gross Budget	Staff Size*	Total Assessed Value	Number of Assessments
1996-97	\$442,601	10	\$1,415,936,000	19,009
1995-96	\$400,496	10	\$1,401,594,000	18,529
1994-95	\$431,901	11	\$1,377,402,000	17,258
1993-94	\$431,901	11	\$1,213,174,000	17,013
1992-93	\$434,554	11	\$1,098,885,000	18,163

(*) Includes assessor.

Despite the loss of one position, the data above show that the assessor's office, while maintaining a fairly level annual budget and with no increase in staff, performed well in handling the 5 percent increase in the number of assessments and a 32 percent increase in total assessed value.

The following chart displays pertinent information from the 1997-98 assessment roll. This information is taken from the BOE publication *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*, June 1999.

	Number of Assessments in County	<u>Enrolled Values</u>
Total Secured Roll	17,344	\$1,401,035,000
Total Unsecured Roll	<u>1,727</u>	<u>58,977,000</u>
Total Roll	<u>19,071</u>	<u>\$1,460,012,000</u>

ADMINISTRATION

State-County Property Tax Administration Program

Section 95.31 provides that, upon recommendation of the assessor and the county board of supervisors, the county may elect to participate in the State-County Property Tax Administration Program (PTAP). To participate, a county must enter into a loan agreement or contract with the State Department of Finance to enhance its property tax administration system, reduce reassessment backlogs, and maximize enrollment capabilities. The loan cannot be used to supplant the assessor's current level of funding, and the county must maintain a base staffing level, independent of the loan proceeds, that is equal to the levels in the 1994-95 fiscal year.

The contract contains performance measures that must be met in lieu of loan repayment. The completion of these measures would, in theory, generate property tax revenue greater than, or equal to, the loan amount.

In November 1995, the Glenn County Board of Supervisors approved Resolution 95-135, enabling Glenn County to participate in PTAP in any or all of the three years beginning with the 1995-96 fiscal year. Glenn County did not apply for 1995-96, but the county did activate the authorization for the 1996-97 fiscal year.

In January 1997, Glenn County began its participation in PTAP. The assessor's staff met the performance goals outlined in the agreement within a relatively short period of time. In 1997-98, the county participated in the second year of the two-year contract by requesting a loan of \$59,197. The assessor's staff again successfully met its projected performance goals. The assessor has used PTAP funds to reduce backlogs and institute improvements in his operation.

Training

Section 670 provides that no person may perform the duties of an appraiser for property tax purposes unless he or she holds a valid certificate issued by the BOE. Section 671 further provides that all appraisers shall complete at least 24 hours of approved training each year in order to retain a valid appraiser's certificate. Appraisers in possession of an advanced appraiser's certificate need only 12 hours of training each year.

The assessor has been supportive of staff training. Appraisers holding the advanced certification receive increased pay. Two of the real property appraisers have advanced certification. In prior years, Glenn County lost newly trained appraisers to adjacent counties with higher pay scales. The pay differential for holding an advanced appraiser certificate may have improved employee retention. The assessor's appraisers are current in their annual training requirements.

Assessment Appeals

The assessment appeals function is authorized by article XIII, section 16 of the California Constitution. When hearing assessment appeals, sections 1601 through 1645.5 guide county boards of equalization. Government Code section 15606(c) directs the BOE to prescribe rules and regulations to govern local boards of equalization, and the BOE has promulgated Property Tax Rules 301 through 326 regarding assessment appeals.

In 1982, the Glenn County Board of Supervisors passed Ordinance No. 783, disbanding the assessment appeals board. That ordinance re-established the board of supervisors as the local board of equalization for the purposes of assessment appeals.

For the 1996-97 assessment year, 16 appeals were filed, 9 were withdrawn, 4 were invalid, and 3 were resolved by stipulation. There was no carryover. There were 74 appeals in the 1997-98 assessment year. Seventy were withdrawn, three were invalid, and the remaining appeal was carried over. We found no problems with the assessor's appeals procedures.

Disaster Relief

Section 170 authorizes a county board of supervisors to adopt an ordinance granting tax relief to owners of qualifying property that has been damaged or destroyed by misfortune or calamity. The ordinance may be limited to property located in an area proclaimed by the Governor to be in a state of disaster, or may extend to property damaged by any misfortune or calamity. The board of supervisors may specify the period of time in which the ordinance will remain in effect. If the time period is not specified, the ordinance shall remain in effect until repealed. Section 170 requires that at least \$5,000 in damage be incurred before the taxpayer is eligible for the relief.

The Glenn County Board of Supervisors adopted an ordinance for disaster relief in 1977. This ordinance allows taxpayers to seek relief from property taxes when their property has been damaged or destroyed by misfortune or calamity. Although the assessor appears conscientious in his efforts to provide tax relief, including use of the news media to inform the public of its availability, two changes would improve this program.

Disaster Relief Application

RECOMMENDATION 1: Revise the application for disaster relief.

The heading on the disaster relief application refers to property damage "in excess of \$5,000." This is contrary to section 170(b), which establishes a damage threshold of \$5,000 or more.

In addition, the application contains the statement "If the property was damaged/destroyed, I declare that I am the owner of the property, or have it in my possession and control, or that I am responsible for the taxes on it." This passage is contrary to section 170(a), which allows a board of supervisors to adopt an ordinance whereby "*every assessee of any taxable property, or any person liable for the taxes thereon, whose property suffers damage due to misfortune or calamity,*

may apply for reassessment.” [Emphasis added] The phrase “or have it in my possession and control” should be deleted from the application because it could allow parties other than assesseees or those liable for the property taxes to file applications for relief.

We recommend that the assessor revise the disaster relief application.

Disaster Relief Processing Procedures

RECOMMENDATION 2: Revise disaster relief assessment procedures in accordance with section 170.

The assessor typically receives five to ten applications for disaster relief annually. Following some spot flooding in the Willows area during February 1998, 15 applications were processed for the 1998 roll.

The taxpayer has 60 days from the date of the damage to file an application for disaster relief with the assessor. However, if the property owner fails to file an application, and the assessor discovers that a property has suffered loss of value due to misfortune or calamity, he can send an application for reassessment to the last known owner. Under these circumstances, the deadline for filing an application can be extended to six months from the date the damage occurred.

Section 170(b) describes a specific methodology that the assessor should use to reduce the assessed value of qualifying damaged property. Upon receipt of a timely application, the assessor’s staff should appraise the property and determine separately the full cash value of the land, improvements, and personalty immediately before and after the damage or destruction. If the sum of these values before the damage exceeds the sum of the values after the damage by \$5,000 or more, the staff shall also separately determine the percentage reductions in the values of the land, improvements, and personalty. Staff should then reduce the values on the assessment roll by the applicable percentages, keeping in mind that the amount of the reduction should not exceed the actual loss.

In our review of properties that had been granted disaster relief, we found that the assessments on five residences were reduced to “zero” until repairs were completed. These drastic value reductions were made despite the fact that, on three of the relief applications, taxpayers had marked boxes indicating their properties were only “partially damaged.” In another instance, the possessory interest value of a cabin on forest service land was assessed at “zero” because a fallen tree made entry to the cabin impossible. Although the cabin’s owner stated that he removed part of the tree and gained access to the cabin in September 1996, the staff did not restore the value until September 17, 1997.

We found other problems in the assessor’s disaster relief program, including: (1) deducting the damage estimate from the improvement’s factored 1994 base year value, then factoring the remainder to lien date 1998, (2) deducting an insurance company’s estimate of damage from an improvement’s 1998 replacement cost, (3) reducing the taxable value for a parcel of flood-

damaged farmland without analyzing the value of the property immediately before and after the flood, and (4) accepting an application in April 1998 for damage that occurred in November 1995.

We recommend that the assessor revise his disaster relief procedures to comply with section 170.

Exemptions

Religious Exemption

California Constitution article XIII section 4(b) authorizes the legislature to exempt property used exclusively for religious, hospital, or charitable purposes. Section 207 defines property used exclusively for religious purposes as follows:

Property owned and operated by a church and used for religious worship, preschool purposes, nursery school purposes, kindergarten purposes, school purposes of less than collegiate grade, or for purposes of both schools of collegiate grade and schools less than collegiate grade but excluding property used solely for purposes of schools of collegiate grade, shall be deemed to be used exclusively for religious purposes under this section.

Section 206.1 further explains:

[A]ll real property that is necessarily and reasonably required for the parking of automobiles of persons who are attending religious services, or are engaged in religious services or worship or any religious activity, is exempt from taxation.

In general, the program is run effectively and in accordance with statutes. However, we have one recommendation in this area.

RECOMMENDATION 3: Perform field reviews of property receiving the religious exemption.

The assessor's staff is aware that only property used exclusively for religious purposes is eligible for the religious exemption. Yet, we found several cases where only a portion of a church site was properly exempted when the site included excess land. Field reviews also revealed instances where land not used for religious purposes was being exempted. In one case, the excess land appeared to be part of a truck garden, while in another, some of the land was part of an orchard.

We recommend that the assessor review property receiving the religious exemption to determine whether those properties should receive the exemption.

Low-Value Property Exemption

Section 155.20 permits county boards of supervisors to exempt from property tax all real property with a base year value and personal property with a full value so low that, if not exempt,

the total taxes on the property would amount to less than the cost of assessing and collecting them. In determining the level of exemption, the board of supervisors must determine the level at which the costs of processing assessments and collecting taxes exceed the proceeds. The full value to be exempted may not exceed \$5,000, except for certain taxable possessory interests.

In January 1999, the Glenn County Board of Supervisors passed a resolution exempting both real and personal property from property taxes if the value of that property is \$2,000 or less. That resolution will remain in effect until repealed.

Supplemental Assessments

Section 75.10 states that whenever a change in ownership occurs or new construction is completed, the assessor shall appraise the property at its full cash value as of the date of the change in ownership or completion of new construction. This appraised value becomes the new base year value. The difference between this new base year value, and the taxable value on the roll or the taxable value on the roll being prepared, is the supplemental assessment.

The assessor processes supplemental assessments in a timely manner and in accordance with the statute. The assessor's goal is to process supplemental assessments within two months of a change in ownership or the completion of new construction. While we found a couple of instances where change in value notices were sent to assessees of possessory interests more than one year after a change in ownership, these were the exception rather than the rule. Typically, four to six months elapse between the event that triggers a revaluation and the mailing of a value change notice. Also, in accordance with statute, the staff enrolls all supplemental assessments, regardless of value. The tax collector then cancels assessments that generate less than \$10.00 in revenue.

The only shortcoming we found in the area of supplemental assessments is outdated written procedures. This section, like the rest of the procedures manual, should be updated.

ASSESSMENT OF REAL PROPERTY

The assessor's real property assessment program includes (1) revaluation of properties that have changed ownership; (2) valuation of assessable new construction; (3) annual review of properties having market values below their factored base year values; and (4) annual review of certain properties subject to special assessment provisions.

Change in Ownership

One of the main functions of the county assessor's office is to identify and value properties that have changed ownership. Section 60 defines a change in ownership as the transfer of a present interest in real property, including the beneficial use thereof. Section 61 further defines change in ownership as the creation, renewal, sublease, assignment or other transfer of the right to extract oil, gas or other minerals. Section 61 also states that the creation, renewal, extension, or assignment of a taxable possessory interest is a change in ownership.

In June 1978, voters in California adopted Proposition 13, which added article XIII A to the California Constitution. Article XIII A provides that values for real property shall be "frozen" at their 1975 full cash value and then annually factored for inflation, but limited to no more than two percent per year. In addition, real property can only be reappraised when there is a change in ownership or new construction.

The assessor uses deeds recorded at the Glenn County Recorder's Office as the primary means of discovering changes in ownership. For the 1998-99 roll year, the assessor's office reviewed 1,500 documents for possible changes in ownership, which resulted in the reappraisal of 941 parcels.

During our current survey, we reviewed 60 properties that had changed ownership. Most had been properly processed; however, we did find one problem that needs to be addressed.

Proposition 60, 90, and 110 exclusions.

Proposition 60 provided tax relief for senior citizens by allowing them to transfer the base year value of their residence to another residence of equal or lesser value in the same county. The replacement residence must be purchased or newly constructed within two years of the sale of the original property and the applicant must be over 55 years of age. In the case of a married couple, only one spouse need be over 55.

Proposition 90 permitted the provisions of Proposition 60 to be extended to transfers between different counties, provided an ordinance accepting such transfers is passed by the board of supervisors of the county of the replacement residence. In June 1990, voters approved Proposition 110, which extended the provisions of Propositions 60 and 90 to severely disabled persons.

RECOMMENDATION 4: Report claims for transfer of base year value to the BOE every quarter pursuant to section 69.5.

Section 69.5 requires the assessor to report all purchases or transfers where the property owner has made a Proposition 60, 90, or 110 claim for transfer of base year value. The assessor must file that report with the BOE every quarter. The assessor does not regularly report Proposition 60, 90, 110 claims for transfer of base year value to the BOE, and has not done so for a number of years. In order to prevent the duplicate claims, section 69.5(b)(7) requires the assessor to report information from these claims quarterly to the BOE.

We recommend the assessor comply with section 69.5 by reporting claims for transfer of base year value to the BOE.

New Construction

Section 71 requires the assessor to reappraise newly constructed real property upon the date of completion, or on each lien date while construction is in progress. Assessors discover most new construction activity from the building permits issued by various agencies. Other discovery methods include business property statements, aerial photographs, news reports, and field inspections.

Some types of new construction are excluded from assessment. These include normal maintenance and repair, additions of fire sprinkler systems, modifications to make an existing residence or structure more accessible to a severely and permanently disabled person, and specified seismic retrofitting and earthquake hazard mitigation.

As mentioned above, building permits are the most common means of discovering assessable new construction. In Glenn County, the assessor's office receives permit information from all three issuing agencies, the City of Willows, the County of Glenn, and the Glenn County Department of Environmental Health. The assessor's office receives approximately 1,000 to 1,200 permits each year. Seventy-five to 80 percent of those permits represent assessable new construction.

If construction is partially complete on the lien date, the construction in progress is valued and enrolled. Once construction is complete, a final value is estimated, enrolled, and supplemental assessments are issued. Although the assessor does have a self-reporting program, it is rarely used. Staff feels that a field inspection allows them to properly gauge the quality and condition of the new construction, while at the same time providing them an opportunity to look for any non-permitted new construction.

When valuing residential new construction, the builder or owner is contacted to obtain actual costs. The actual costs are then compared to established cost manuals. When the actual costs are relatively close to those derived from cost manuals, the actual costs are used as market value. When an owner-builder is involved, an additional 30-40 percent is added to actual costs to reflect

labor and overhead. This value is then compared to BOE cost manuals, local costs, and market extracted costs to determine market value.

Overall, the assessor has an effective new construction assessment program. However, we did note one problem area.

RECOMMENDATION 5: Improve appraisal record documentation after enrolling assessable new construction.

During our review of new construction, we found several assessments that lacked documentation describing how the appraiser determined the new construction value. If the appraiser used the cost approach, the appraiser should indicate the source of those costs. If the appraiser used reported historical costs, the appraiser should demonstrate how those costs represent market value. One appraisal record revealed a valuation using the cost approach, but that value differed from the value enrolled.

Proper documentation facilitates appraisal review and provides the means with which to defend a valuation. We recommend that the assessor increase documentation on the appraisal records after enrolling assessable new construction.

Decline in Value

Section 51 requires the assessor to value taxable real property at the lesser of its base year value, adjusted annually for inflation, or the current market value, as defined in section 110.

Whenever a property's current market value falls below its factored base year value for any reason, that lower value must be enrolled as the taxable value for the years of the decline. Any such value requires annual review until the property's current market value exceeds the factored base year value. Then, the factored base year value resumes as the taxable value.

The assessor has developed a computer program that tracks parcels sold after January 1, 1987. This program utilizes a multiple regression analysis and the comparative sales approach to list suggested changes in value. There were 373 properties in "decline-in-value" status for the 1998-99 roll year. The assessor's computer system tracks the decline-in-value properties by coding them as a "Type 17." That coding prevents them from being indexed by the yearly inflation factor. Appraisal work is assigned geographically; individual appraisers are responsible for the discovery and appraisal of any declines in value within their assigned areas.

Methods of discovery include personal knowledge of value trends in an area, specific requests from property owners, and formal appeals to the local assessment appeals board. We found that the assessor and his staff have done a good job of monitoring declines in value. There are however, two problems that need to be addressed.

RECOMMENDATION 6: Document annual decline-in-value assessment reviews.

Section 51 requires that the value enrolled for each lien date be the lower of the factored base year value or current market value, as defined in section 110. Once a property is identified as a decline in value, it must be reviewed each year.

We reviewed the decline-in-value worksheets for several properties. They reflected an appraisal for the first year, but for each succeeding year, a notation of “no change” was the sole indication of an annual review.

We recommend that the assessor more clearly document the review process and value decision for each decline-in-value annual review.

We found one other problem in the assessor’s decline-in-value program. One of the properties currently under annual review as a decline in value is an economic unit of eight parcels. The property receives an annual review because the assessor does not know the factored base year improvement value for one of the eight parcels. Each year the assessor makes an estimate of the total property value. From this estimated market value, a deduction is made for personal property. Then the assessor deducts the factored base year values of the other seven parcels and enrolls the remainder as the improvement value for the eighth parcel. This method of assessment may cause the taxpayer to pay more in property taxes than if the assessor could determine the correct factored base year value of the eighth parcel.

We advise the assessor to obtain a copy of the 1975 roll, determine the correct factored base year values of this economic unit, review those values for a decline in value, and enroll the lesser of those values.

California Land Conservation Act

Agricultural preserves are established by a city or county pursuant to the California Land Conservation Act (CLCA) of 1965. Property owners in an agricultural preserve may choose to enter into a contract restricting the use of their land. Lands under contract are valued for property tax purposes on the basis of agricultural income-producing ability, including compatible use income (e.g., hunting rights and communications facilities). They are assessed at the lowest of the restricted value, the current unrestricted market value, or the factored base year value, as defined in article XIII A of the California Constitution. Sections 422 through 430.5 prescribe the guidelines for assessing land subject to agricultural preserve contracts.

For the 1998-99 lien date, Glenn County had 1,420 parcels, totaling 345,753.76 acres, assessed under CLCA contracts; this constitutes a significant part of the Glenn County assessment roll. We reviewed the assessor’s CLCA program for adherence to statutory mandates and uniform treatment of taxpayers. The assessor uses a computer-assisted program to annually recalculate all CLCA values. However, some areas of the program could use improvement.

Compatible Use Income

RECOMMENDATION 7: Include all compatible use income in the appraisal of California Land Conservation Act (CLCA) properties.

We made this recommendation in our 1991 assessment practices survey, specifically addressing mineral and gas exploration leases. Failure to include compatible use income in the valuation of restricted properties will result in underassessment of CLCA properties.

We recommend that the assessor increase his efforts to discover and value all compatible use income when appraising CLCA properties. The assessor's questionnaire letter for CLCA properties contains a section asking for information on "hunting and other recreational rights rented to others" (section 2. I). The passage of the questionnaire requesting information about leased or rented portions of the property is too restrictive. It does not specify all potential compatible uses. Citing particular examples, such as hunting rights, mineral or gas exploration rights, microwave antenna, or radio tower site leases, could lead the property owner to offer information that he or she had not previously considered relevant.

Once again, we recommend the assessor make a better effort to include all compatible use income when determining the value of CLCA properties.

Homesites

RECOMMENDATION 8: Exclude homesites from restricted value calculations of CLCA properties.

Section 428 states that statutory provisions regarding valuation of CLCA land do not apply to a residence or its site. However, as a practical application of section 423.3 and Glenn County Resolution 96-69, the assessor computes the factored base year value of land restricted by CLCA contract and factors it by 85%. He then compares this value to the CLCA computation and enrolls the lower of the two values.

In most cases this does not create an incorrect assessment as the CLCA value, which includes an individually factored homesite value, is usually lower than the section 423.3 value. However, this is not always the case. Assessments have been enrolled where the section 423.3 value is lower than the CLCA calculation, and that value includes a homesite value which was factored by the 85% figure. This practice directly contradicts sections 423.3 and 428.

We recommend the assessor apply the appropriate section 423.3 percentage only to factored base year land values exclusive of homesites.

Timberland Production Zones

Section 423.9 requires the assessor to appraise land zoned as Timberland Production Zone (TPZ), excluding those lands under CLCA contracts, based on special TPZ site classifications contained in section 434.5. In Glenn County, there are 86 parcels totaling 21,908.58 acres of TPZ land. The total 1997 timber harvest was 8,085,000 board feet, valued at \$2,911,000.

Although the assessor properly processes most TPZ assessments, we did note one area in need of improvement.

RECOMMENDATION 9: Send income questionnaires to all TPZ parcel owners.

Section 435 requires that “[T]he assessor shall use as the value of each parcel of timberland the appropriate site value pursuant to Section 434.5 plus the value, if any, attributable to existing, compatible, nonexclusive uses of the land.”

Permitted uses such as homesites and cabins have not escaped assessment, but the assessor has not systematically canvassed TPZ landowners to determine whether other compatible uses exist. Typically, these uses may include hunting, grazing, camping, and mining. The value of these compatible uses must be appraised annually and added to the site class values of the timberland.

We recommend the assessor send income questionnaires to all TPZ owners to determine whether owners are receiving income from compatible uses of the property, and that the assessor include the value of this income in the value of the TPZ property.

Taxable Government-Owned Properties

Glenn County has only one taxable government-owned property, a 20-acre gravel pit owned by an adjoining county. In our 1991 assessment practices survey, we recommended that the assessor review the appraisal of this taxable government-owned property and revalue it according to the guidelines set forth in section 11. The assessor has implemented this recommendation and now reviews this parcel annually.

Possessory Interests

Taxable possessory interests are private property interests in publicly owned real property. The term “possessory interest,” as it is used for property taxation purposes in California, includes either the possession, or the right to possession, of real estate when fee title is held by a tax-exempt public agency.

The assessor conducts an aggressive possessory interest discovery program that includes regular contact with government agencies owning property in Glenn County. As a result, the assessor enrolled about 150 possessory interests on the 1998 tax roll, the majority of which are cabins or grazing rights in the Mendocino National Forest, or hangars at the county-owned airports in Willows and Orland.

RECOMMENDATION 10: Increase documentation of possessory interest appraisals.

We found that many of the possessory interest files lacked copies of current leases, permits, or other written instruments that established the possessory interest. In addition, these files lacked documentation to support the economic rents and discount rates used in the appraisal process. Without such information, it can be difficult to determine the term of possession, economic rent, date of change in ownership, and ownership of improvements upon reversion, as well as an appropriate rent and discount rate. All of these elements are necessary for a sound possessory interest appraisal. We recommend the assessor increase the documentation of his possessory interest appraisals.

RECOMMENDATION 11: Assess taxable possessory interests in fairground facilities.

The assessor's staff attempts to discover new, taxable possessory interests by annually requesting rent rolls from numerous public agencies. However, they overlook the possessory interests in the county fairground facilities. In addition to the five-day county fair, other annual events include a harvest festival, craft fair, and Rotary August Fest.

We recommend that the assessor compile an inventory of concessionaires and exhibitors who use the fairgrounds on a recurring basis and that he assess those users whose possession meets the definition of a taxable possessory interest.

RECOMMENDATION 12: Reappraise a possessory interest only upon change in ownership or expiration of the reasonably anticipated term of possession.

Based on the property files we reviewed, the staff annually recalculates the land value of all possessory interests. The values of most improvements are factored annually, including cabins in the Mendocino National Forest and hangars on leased land. However, some other improvements, such as two homes located on land owned by Glenn Colusa Irrigation District, have been reappraised every year. The value of a third home owned by the irrigation district remained unchanged for the 1995, 1996 and 1997 tax years.

According to section 61(b), a change of ownership occurs with the creation or assignment of a taxable possessory interest in tax exempt real property. Section 61(b)(2) states that a renewal or extension of a possessory interest, during the reasonably anticipated term of possession used by the assessor to value the interest, does not cause a change in ownership until the end of the reasonably anticipated term of possession. Appraisal staff should not reappraise a possessory interest until it has changed ownership or until the anticipated term of possession has expired. We recommend the assessor revise his procedures so as to comply with the statute.

Manufactured Homes

A manufactured home is subject to local property taxes if it was first sold new after July 1, 1980, or the owner has requested a conversion from paying an in-lieu vehicle license fee to paying a local property tax. Most conversions from vehicle license fees occur when a manufactured home is sold—sales and use tax is not due when a manufactured home is subject to local assessment. If the manufactured home is the owner's primary residence, conversion also allows an owner to qualify for the homeowners' exemption.

Manufactured homes placed on permanent foundations are treated as any other real property subject to all the provisions of California property tax law. Manufactured homes not placed on a permanent foundation are considered personal property and must be classified as such. Although the assessor should classify most manufactured homes as personal property, their assessment—in most respects—falls under the same standards as real property subject to article XIII A of the California Constitution.

In Glenn County, the assistant assessor performs most manufactured home appraisals. The assessor's office is notified of manufactured home sales by Department of Housing and Community Development reports, building permits, Dealer Reports of Sale, tax clearance certificates, and voluntary conversions. Manufactured homes comprise only a small part of the assessor's workload; there are only four manufactured home parks in the county. In general, the assessor has a well-administered manufactured home program. Discovery procedures are good and new construction is assessed properly. However, during our review of 23 manufactured home appraisal records, we noted three problem areas.

Classification

RECOMMENDATION 13: Classify all manufactured homes, excluding those on permanent foundations, as personal property.

All manufactured homes in Glenn County are classified as real property. However, manufactured homes not on permanent foundations must be classified as personal property. Section 5801(2)(b)(2) states, in part, "[A] manufactured home . . . shall not be classified as real property for property taxation purposes . . ." Classification of manufactured homes as personal property serves several purposes. When classified as personal property, manufactured homes may qualify as business inventory and they cannot be subject to possessory interest assessments or to special assessments that apply only to land and improvements. Classification as personal property also allows the assessor to exempt manufactured homes under the provisions of the Soldiers and Sailors Civil Relief Act.

We recommend that the assessor classify all manufactured homes, excluding those on permanent foundations, as personal property pursuant to section 5801.

RECOMMENDATION 14: Consider values listed in recognized manufactured home guides when appraising manufactured homes.

All manufactured homes not on permanent foundations are coded as “Type 17.” This code enables the assessor to identify any property scheduled for annual review. The assessor uses this code for manufactured homes not on permanent foundations and decline-in-value properties.

When a manufactured home sells, the assessor usually accepts the sale price as market value and establishes a base year value. The assessor reviews manufactured homes coded as “Type 17” each lien date, under the assumption that the market value of a manufactured home declines each year. The manufactured home’s factored base year value is compared to a cost approach value based on BOE cost handbooks, and the lower of the two values is enrolled.

Section 5803 requires that “[T]he assessor shall take into consideration, among other relevant factors, sales prices listed in recognized value guides for manufactured homes, including, but not limited to, the Kelly Blue Book Manufactured Housing and Mobilehome Guide and the National Automobile Dealer Association’s Mobilehome Manufactured Housing Appraisal Guide.”

The assessor does not consider values from other recognized manufactured home value guides, and we recommend that he do so.

RECOMMENDATION 15: Maintain documentation when making lien date adjustments of manufactured home values.

Several manufactured home records showed a lien date value established through the cost approach. However, due to a lack of documentation, we could not determine the source of the costs used. Additionally, we found several manufactured home appraisal records for which we could not determine the approach to value used for the lien date review.

We recommend the assessor document, in the appraisal record, the appraisal approach used, the source of costs used, and the value guide considered when establishing a lien date value for a manufactured home.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

Mandatory Audits

Section 469 requires the assessor to audit the books and records of a business at least once each four years (mandatory audits) when locally assessable trade fixtures and tangible business personal property have a full cash value of \$300,000 or more. Section 532 requires audits to be made within four years after July 1 of the assessment year in which the property escaped assessment. If the audit cannot be completed within the prescribed time, an extension is available under the provisions of section 532.1.

The mandatory audit program is one of the statutorily mandated functions of the assessor. Auditing is essential to the successful administration of any tax program that depends on information supplied by taxpayers. An effective auditing program discourages deliberate underreporting and helps educate those property owners who unintentionally misreport.

RECOMMENDATION 16: Complete all mandatory audits required by section 469.

This survey and our four previous assessment practices surveys reported the same findings regarding the assessor's mandatory audit program. The assessor fails to comply with the mandatory audit requirements of section 469. He has no auditor-appraiser on staff and does not have an effective mandatory audit program. The assistant assessor and one assessment technician undertake what little in-house mandatory audit work that does occur.

Twenty-eight mandatory audits should have been completed on or before June 30, 1998. Only four audits were completed on time; an outside contractor performed those audits. The deficiencies in the mandatory audit program, and the failure to secure waivers of the statute of limitations, resulted in the following lost audit years:

<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
8	10	14	19

These lost audit years represent a permanent loss of revenue to the county and special tax districts, receivable if deficiencies had been discovered through audit. This is a serious deficiency in the assessor's business property program.

We therefore strongly recommend the assessor give top priority to completing his mandatory audits as required by section 469.

RECOMMENDATION 17: Develop and maintain a comprehensive audit log.

The assessor has not maintained an audit log since the loss of the auditor-appraiser position in 1987. No one tracks mandatory audits. Although the assessor does keep records of accounts with \$300,000 or more in assessed value for the last three years, those records should cover four years. As recommended in our 1991 survey, we urge the assessor to establish and maintain a comprehensive audit log. This log should include the identity of each taxpayer, by account number and name, audit assignment and completion dates, and the name of the auditor. It should also show the status of audits assigned for the current year.

Waivers of the Statute of Limitations**RECOMMENDATION 18:** Obtain signed waivers of the statutes of limitations when mandatory audits will not be completed on time.

Section 532 requires the assessor to enroll an escape assessment discovered by an audit within four years after July 1 of the assessment year during which the property escaped assessment or was underassessed. If the assessor cannot complete an audit within the prescribed time, the assessor may request from the taxpayer a waiver of the statute of limitations to avoid possible loss of revenue. Such waivers are authorized by section 532.1.

The assessor does not seek waivers for any audit, mandatory or not. By failing to obtain waivers when necessary, the assessor may have allowed taxable property to permanently escape assessment. It is also possible that errors in overvaluation may not have been discovered, thus preventing some taxpayers from receiving refunds.

Waivers protect the legal rights of both the taxpayer and the assessor. Without a waiver, the taxpayer and the county lose their legal recourse to correct any assessment errors beyond the four-year statute. Typically, most audits result in the discovery of taxable property escaping assessment. Without a signed waiver, the tax revenues derived from escape assessments beyond the four-year statute are permanently lost. Similarly, unless it is within the four-year statute of limitations, a taxpayer cannot seek a correction of a prior year's overassessment.

We have identified 28 mandatory audit accounts that the assessor should have audited before June 30, 1998. Only four of those mandatory audits had been completed at the time of our survey. Because the assessor did not obtain waivers for the remaining accounts, the assessor lost his legal right to audit the taxpayers' records for 1994.

Whenever an audit cannot be completed on time, we recommend the assessor obtain a waiver of the statute of limitations well in advance of the statutory deadline. This provides time to schedule an audit should the taxpayer choose not to sign a waiver.

Situs Inspections**RECOMMENDATION 19:** Require a situs inspection for mandatory audit accounts.

All of the audits completed by the assessor's staff were desk audits, and did not include a situs inspection. A situs inspection is an essential aspect of any complete audit. It should be standard procedure, especially for audits involving large commercial and industrial operations, or in situations involving excess capacity, functional obsolescence, idle plants, and other unusual circumstances.

We recommend that the assessor require a situs inspection as part of his mandatory audit program.

Non-Mandatory Audits

Although mandatory audits should be a top priority, a nonmandatory audit program, where accounts falling below the \$300,000 threshold are audited, forms part of an effective audit program. Errors in reporting business property costs on the annual property statement are a significant and common problem, and without an audit, these reporting errors will likely continue year after year.

In Glenn County, an assessment technician, not a certified auditor-appraiser, completed office audits of 37 nonmandatory accounts.

RECOMMENDATION 20: Adopt minimum audit standards.

Completed audits are based mainly on a review of depreciation schedules. Audit files lacked workpapers showing: (1) reconciliation between asset account balances and reported original cost figures, (2) analysis of expense accounts for supplies valuation, (3) analysis of expense accounts to discover noncapitalized assets and/or leased equipment, (4) an audit checklist indicating areas of audit coverage and pertinent questions asked, (5) summary sheets showing a reconciliation between the reported and audited figures, and (6) any notation that the place of business or equipment had been physically inspected.

An audit program should follow professional audit guidelines and include procedures that ensure taxpayers fully report all taxable property. An audit should be supported by workpapers showing asset account reconciliations, value computations, and analysis of expense accounts and lease accounts, to ensure that all taxable property is being assessed.

Whether simple or complex, audits generally follow certain steps to ascertain the validity of reported figures and other information. Formal audit procedures and an audit checklist would detail the pertinent points covered during an audit. The checklist acts as a reminder for the auditor-appraiser and as documentation to the reviewer that certain points were covered during the audit. The checklist, along with the audit narrative, provides valuable information for further questions, audit review, and future audit preparation.

We recommend the assessor adopt minimum audit standards.

RECOMMENDATION 21: Review supplies as part of every audit.

We reviewed six of the 37 nonmandatory audits completed by the assessor's staff. There was no indication of any analysis of supplies expense accounts, or mention of any calculation of supplies on hand. A review of the supplies account was not part of the audit process.

It is important to audit supplies so that supply items, eligible for the inventory exemption, are not included in the reported supplies amount. Also, an audit can verify that supplies on hand have been properly reported by the taxpayer. We therefore recommend the assessor include a review of supplies as part of every audit.

RECOMMENDATION 22: Restore the auditor-appraiser position.

The assessor has not had an auditor-appraiser since 1987. As a consequence, the assessor performs very few mandatory audits and the audit program is seriously in arrears. In addition, the assessor is forced to assign nonmandatory audits to an assessment technician instead of a certified auditor-appraiser. Other recommendations regarding minimum audit standards and the use of an audit log are further evidence of problems associated with the lack of an auditor-appraiser.

We recommend the assessor restore the auditor-appraiser position.

Equipment Classification and Valuation Factors

RECOMMENDATION 23: Classify fixed machinery and equipment as fixtures.

In Glenn County, machinery and equipment reported on Schedule A of the Business Property Statement (BPS) continue to be assessed as personal property. The staff does not reclassify any of the machinery and equipment as fixtures. We previously noted this problem and recommended that the staff allocate the reported costs of machinery and equipment between personalty and fixtures. This has not been done.

Classification is an important element of the local assessment function for several reasons. Principally, it is important because property tax law requires the assessment roll to show separate values for land, improvements (including fixtures), and/or personal property. It is also significant because of the assessment differences between real property and personal property. Those differences include: (1) only real property receives special assessments, (2) the tax rate on the unsecured roll is the rate of the prior year's secured roll, (3) personal property is appraised annually at market value, and (4) fixtures are a separate appraisal unit when measuring declines in value.

For assessment purposes, machinery and equipment costs reported on Schedule A of the BPS may represent either personalty or fixtures, or both. A fixture is an item of tangible property that was originally personalty, but is now classified as realty for property tax purposes. Fixtures become physically or constructively annexed to realty, with the intent that they remain annexed indefinitely.

The assessor can use specific identification or estimation to allocate machinery and equipment costs reported on the BPS Schedule A between personalty and fixtures. For estimation, the assessor could establish percentages based on a physical inspection, or by using percentages for the specific types of businesses. The assessor can adjust that estimate based on an audit, physical inspection, or new data. We again recommend the assessor comply with the constitutional requirement of classifying fixed machinery and equipment as fixtures.

RECOMMENDATION 24: Assess bank and financial corporation fixtures at the lower of their current market value or factored base year value.

For banks and financial corporations, the assessor sends a BPS with an Alternate Schedule A. If additions are reported, the technician who processes the BPS sends a copy of Alternate Schedule A to a real property appraiser. The assessor then assumes that the real property unit has assessed all the fixtures reported by the banks and financial corporations listed on the alternate schedule.

Due to the annual inflationary adjustment of real property, this method of assessing fixtures owned by banks and financial corporations increases those values each year. Fixtures reported on Alternate Schedule A frequently have shorter economic lives than real property and usually depreciate in value over time. In many instances, the factored base year value would exceed current market value.

The law requires that fixtures be assessed at the lower of current market value or factored base year value. Therefore, the assessor should value fixtures on Alternate Schedule A annually, using a valuation table that includes a component for depreciation. This method usually results in a decreasing annual value, not an increasing one.

We recommend that the assessor value all fixtures reported by banks and financial corporations at the lower of their factored base year or market value.

Computer Valuation

The assessment of computers and related equipment has become more complex due to the rapid changes in technology and the changing needs of users. To address the complexity of computers' short lives, rapid depreciation, and low salvage value, the BOE, in LTA 97/18, recommended valuation factors for assessors to use when valuing non-production computers for the 1997 and 1998 lien dates.

The assessor has properly used the composite valuation factors provided by the BOE in his valuation of non-production computers. For the 1996 lien date, the assessor appropriately valued computers by using the BOE-recommended factors as contained in the LTA 96/19. In assessing computers for the 1997 and 1998 lien dates, the assessor continued to follow the recommended factors as contained in LTA 97/18.

Aircraft

Section 5363 requires the assessor to value general aircraft (aircraft) according to standards and guidelines set by the BOE. Section 5564 requires the BOE to establish such standards and guidelines. Previous to the 1997 lien date, the BOE published Assessors' Handbook Section 587 as a guide. However, in LTA 97/03, assessors were notified that the BOE discontinued publication of this handbook. Instead, the BOE directed assessors to use the *Aircraft Bluebook Price Digest (Price Digest)* as the "primary guide" for valuing aircraft, with the *Vref Aircraft Value Reference* as an alternate for planes not listed in the *Price Digest*.

Although the appraisal staff assesses aircraft using the recommended *Price Digest* as the "primary guide" for valuing aircraft, the staff used the spring 1998 edition when valuing aircraft for the January 1, 1998 lien date. We believe that the staff should have used the winter 1997 edition.

LTA 97/03 recommended that county assessors use the winter 1997 edition of the *Price Digest* when valuing aircraft for the January 1, 1998 lien date. Since the winter 1997 edition of the *Price Digest* expired on March 6, 1998, the winter edition should have been used to extract January 1, 1998 lien date values.

We urge the assessor to instruct his appraisal staff to use the correct edition of the *Price Digest* when valuing aircraft.

RECOMMENDATION 25: Make adjustments for aircraft condition only where appropriate.

In Glenn County, the adjustment for overall condition of the aircraft is routinely granted without documentation or field inspection. The BOE advises, in LTA 97/03, that the assessor should adjust the values of aircraft derived from the primary *Aircraft Bluebook Price Digest*, and the alternate *Vref Aircraft Value Reference*, for the overall condition of the subject aircraft. Adjustments for equipment installed, hours since major overhaul, and airframe hours, should also be made when appropriate. Assessors are also encouraged to make any other necessary adjustments. However, the BOE directive states that any variances from the values published by the recommended guides must be based on reasonable evidence and should be well documented.

Our review of aircraft assessment practices reflected a lack of documented evidence (i.e., picture of a damaged aircraft) supporting aircraft value adjustments. By "documented evidence" we mean a field inspection report or photograph justifying those adjustments.

We recommend that the assessor require documented evidence before adjusting aircraft values.

RECOMMENDATION 26: Assess aircraft consistent with BOE recommendations.

LTA 97/03 specifically directs county assessors to reduce listed retail values by 10 percent to reflect estimates of fair market value for aircraft in truly average condition on the lien date. This directive should be applied uniformly and consistently to all aircraft.

In Glenn County, aircraft are not being assessed in a manner consistent with BOE-recommended procedures. Aircraft values from the *Price Digest* are not being adjusted by 10 percent, as recommended by BOE.

We recommend the assessor ensure that aircraft assessments are performed in accordance with published BOE procedures.

Historical Aircraft

Aircraft of historical significance or historical aircraft may qualify for exemption from property taxation. The definition of historical aircraft can be found in section 220.5(d). It states that “[A]ircraft of historical significance means any aircraft which is an original, restored, or replica of a heavier than air powered aircraft which is 35 years or older or any aircraft of a type or model of which there are fewer than five in number known to exist worldwide.”

The exemption, however, is not automatic. Rather, the owner of a historical aircraft must submit a claim for exemption from property taxes on or before the deadline of 5:00 p.m., February 15. A filing fee of thirty-five dollars (\$35) is also charged and collected by the assessor upon the initial application for an exemption.

Along with the requirements listed above, aircraft of historical significance shall be exempt only if the following conditions are met:

- The assessee is an individual who does not hold the aircraft primarily for purposes of sale;
- The assessee does not use the aircraft for commercial purposes or general transportation; and,
- The aircraft is available for display to the public at least 12 days during the 12-month period immediately preceding the lien date for the year for which exemption is claimed.

RECOMMENDATION 27: Comply with section 220.5(c) when granting historical aircraft exemptions.

All ten of the affidavits for historical aircraft exemption lacked the signature of a notary public or of the assessor or his designee, as required by section 220.5(c). In spite of this, all ten exemptions were granted. The relevant portion of section 220.5(c) requires the claimant to sign and swear to the accuracy of the contents of the affidavit. This must be done before a notary public, the assessor, or the assessor’s designee. We recommend that the assessor comply with section 220.5(c) when granting historical aircraft exemptions.

APPENDIX

A. County Property Tax Division Survey Group

Glenn County Assessment Practices Survey

Chief, County Property Tax Division:

Charles Knudsen

Survey Team Director

Gene Palmer

Principal Property Appraiser

Survey Team Supervisor

David J. Hendrick

Supervising Property Appraiser

Survey Team

Manuel Garcia

Associate Property Auditor Appraiser

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Glenn Danley

Associate Property Appraiser

John Magorian

Associate Property Appraiser

Wesley Hill

Associate Property Appraiser

Kim Trotto

Tax Technician II

Denise Owens

Tax Technician II

B. Relevant Statutes and Regulations**Government Code****15640. Survey by board of county assessment procedures.**

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of Records; Appraisal Data Not Public.

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by board employees.

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made.

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by board.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code**75.60. Allocation for administration.**

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
- (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
 - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
 - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations**Rule 370. Random selection of counties for representative sampling.**

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
 - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
 - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
 - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems.

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, “significant assessment problems” means procedure(s) in one or more areas of an assessor’s assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
 - (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
 - (2) the sum of all the differences between the board’s appraisals and the assessor’s values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor’s entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, “areas of an assessor’s assessment operation” means, but is not limited to, an assessor’s programs for:
 - (1) Uniformity of treatment for all classes of property.
 - (2) Discovering and assessing newly constructed property.
 - (3) Discovering and assessing real property that has undergone a change in ownership.
 - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
 - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
 - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
 - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
 - (8) Discovering and assessing property that has suffered a decline in value.
 - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of “significant assessment problems,” as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor’s practices.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The Glenn County Assessor's response begins on the next page. The BOE has no comments on the response.



DIVERSIFIED FARMING
"Where Water is King"

COUNTY OF GLENN

ASSESSOR'S OFFICE
COURT HOUSE COMPLEX
516 West Sycamore Street, 2nd Floor
Willows, California 95988
Willows Telephone (530) 934-6402
Orland Telephone (530) 865-1184
FAX: (530) 934-6571



VINCE T. MINTO, C.R.A.
County Assessor

October 9, 2000

Mr. Charles Knudsen, Chief
County Property Tax Division
State Board of Equalization
P.O. Box 942879, MIC #62
Sacramento, CA 94279-0062

Dear Mr. Knudsen:

Pursuant to Section 156445 of the California Government Code, please include my response to the 1998/99 Assessment Practices Survey for Glenn County conducted by the State Board of Equalization staff.

Please extend my thanks to the survey crew for their constructive recommendations and for their courteous manner during their stay here in Glenn County.

Sincerely,

VINCE T. MINTO
Glenn County Assessor/Clerk/Recorder

VTM/sjt
encl.

**GLENN COUNTY ASSESSOR'S RESPONSE
TO
STATE BOARD OF EQUALIZATION'S
RECOMENDATIONS 1998/99 SURVEY**

RECOMMENDATION 1: Revise the application for disaster relief.

RESPONSE: We have revised our disaster relief application.

RECOMMENDATION 2: Revise disaster relief procedures in accordance with section 170.

RESPONSE: Although we do not agree with all of the examples the SBE staff used to render this recommendation, we do agree that our procedures should comply with section 170 and will make the necessary changes to ensure that it does.

RECOMMENDATION 3: Perform field reviews of property receiving the religious exemption.

RESPONSE: Agree

RECOMMENDATION 4: Report claims for transfer of base year value to the BOE every quarter pursuant to section 69.5.

RESPONSE: Agree

RECOMMENDATION 5: Improve appraisal record documentation after enrolling assessable new construction.

RESPONSE: Although we recognize that our documentation could be better, unfortunately our appraisal stafftime is limited (three appraisers). Our documentation is sufficient for our staff and our use.

The BOEs concern over the level of documentation in our office should be alleviated by our new CAMA system. Notes and comments along with valuation processes will be documented and saved on the new computer system as the Appraisal staff does their valuation work on the computer rather than the present all paper system. This system is scheduled to be operational in 2001.

RECOMMENDATION 6: Document annual decline-in-value assessment reviews.

RESPONSE: See response to Recommendation 5.

RECOMMENDATION 7: Include all compatible use income in the appraisal of California Land Conservation Act properties.

RESPONSE: We will change our CLCA questionnaire to address this recommendation.

RECOMMENDATION 8: Exclude homesites from restricted value calculation of CLCA properties.

RESPONSE: Although we can find no case where the inclusion of the homesite would have changed which value was enrolled, we do agree with the recommendation and will change our computer program to reflect proper valuation procedures.

RECOMMENDATION 9: Send income questionnaires to all TPZ parcel owners.

RESPONSE: Agree

RECOMMENDATION 10: Increase documentation of possessory interest appraisals.

RESPONSE: See response to Recommendation 5.

RECOMMENDATION 11: Assess taxable possessory interests in fairground facilities.

RESPONSE: Agree, in the past we have found these interests have insufficient value to assess.

RECOMMENDATION 12: Reappraise a possessory interest only upon change in ownership or expiration of the reasonably anticipated term of possession.

RESPONSE: We agree with this recommendation because that is what we do. Staff's experience with said possessory interests allows them to anticipate the "expiration of the reasonable anticipated term of possession". Unfortunately the lack of documentation that the BOE staff has identified as a concern, appears to have given them the wrong impression regarding our procedure. But that said, we will review our procedure to make sure that we are following section 61.

RECOMMENDATION 13: Classify all manufactured homes, excluding those on permanent foundations, as personal property.

RESPONSE: Agree

RECOMMENDATION 14: Consider values listed in recognized manufactured home guides when appraising manufactured homes.

RESPONSE: Do not agree. Our procedures are sufficient.

RECOMMENDATION 15: Maintain documentation when making lien date adjustments of manufactured home values.

RESPONSE: See response to Recommendation 5.

RECOMMENDATION 16: Complete all mandatory audits required by section 469.

RESPONSE: Through the efforts of CCASE and contracting with adjacent County Property Tax Auditors, Glenn County has completed the auditing of all mandatory audits in assessment year 1999/2000. Use of the Property Tax Administration dollars has allowed us to hire our audit work done. We continue this process in the 2000/2001 assessment cycle.

RECOMMENDATION 17: Develop and maintain a comprehensive audit log.

RESPONSE: See response to Recommendation 16. To utilize our contract auditor and CCASE, a comprehensive audit log was established over the last two years.

RECOMMENDATION 18: Obtain signed waivers of the statutes of limitation when mandatory audits will not be completed on time.

RESPONSE: See response to Recommendation 16. For the last two years we have instituted procedures which actively pursue waivers for all audits where possible audit years and possible loss of revenue, might be lost due to timing of audit.

RECOMMENDATION 19: Require a situs inspection for mandatory audit accounts.

RESPONSE: See response to Recommendation 16. Situs inspection is now part of all mandatory audits.

RECOMMENDATION 20: Adopt minimum audit standards.

RESPONSE: See response to Recommendation 16. We will be pursuing this recommendation during this year with our contract auditor.

RECOMMENDATION 21: Review supplies as part of every audit.

RESPONSE: See response to Recommendation 16. Supplies are reviewed as part of every audit.

RECOMMENDATION 22: Restore the auditor-appraiser position.

RESPONSE: Although we understand the BOE reason for this recommendation, we believe that we have addressed our situation in a satisfactory method. See response to Recommendation 16. If the Property Tax Administration program is not renewed, we have notified the Glenn County Board of Supervisors that we will be requesting replacement funds from the General Fund to continue our audit program.

RECOMMENDATION 23: Classify fixed machinery and equipment as fixtures.

RESPONSE: Agree with this recommendation, but we do not use estimates to establish what is personalty and what is fixtures. We review the property with owner and establish what is physically or constructively annexed to the property. We feel this is a much more accurate and fair method of valuation.

RECOMMENDATION 24: Assess bank and financial corporation fixtures at the lower of their current market value or factored base year value.

RESPONSE: Agree with recommendation, but it would appear that BOE staff missed a step in our valuation process. Bank and financial corporation business property is being valued properly. But we will review our process to make sure valuation is proper.

RECOMMENDATION 25: Make adjustments for aircraft condition only where appropriate.

RESPONSE: Agree

RECOMMENDATION 26: Assess aircraft consistent with BOE recommendations.

RESPONSE: Agree

RECOMMENDATIONS 27: Comply with section 220.5 (c) when granting historical aircraft exemptions.

RESPONSE: Although this will inconvenience our taxpayers, we will comply.